Fiscal Note 2011 Biennium

GOVERNOR'S OFFICE OF BUDGET AND PROGRAM PLANNING

Bill #	HB0115	**Title:**	Expand cell phone property tax incentives
Primary Sponsor:	French, Julie	**Status:**	As Introduced

- ☑ Significant Local Gov Impact
- ☑ Needs to be included in HB 2
- ☐ Technical Concerns
- ☐ Included in the Executive Budget
- ☐ Significant Long-Term Impacts
- ☐ Dedicated Revenue Form Attached

FISCAL SUMMARY

	FY 2010 Difference	FY 2011 Difference	FY 2012 Difference	FY 2013 Difference
Expenditures:				
General Fund	$0	$0	$0	$0
Revenue:				
General Fund	($232,106)	($262,744)	($296,078)	($332,346)
State Special Revenue	($14,659)	($16,594)	($18,700)	($20,990)
Net Impact-General Fund Balance:	($232,106)	($262,744)	($296,078)	($332,346)

Description of fiscal impact:

This bill will provide a 10-year exemption for 50% of the value of new rural cell phone property placed in service by rural and small town telecommunications companies that are in property class five. This bill will also increase the maximum town population that can be served rural and small town telecommunications companies in property class five from 1,200 to 10,000 permanent residents. This increase in population threshold will result in 12 companies that are currently in class 13 (taxable rate 6%) being transferred to class five (taxable rate 3%) beginning in tax year 2009 (FY 2010). This will result in property taxes paid by these companies being reduced by 50% beginning in FY 2010.

FISCAL ANALYSIS

Assumptions:

1. New section one provides for an exemption from taxation for 50% of the market value of new rural cell phone property "for the tax year the property is placed in service and for the 10 succeeding tax years". In effect, this 50% exemption would apply to construction work in progress in place at the beginning of a tax year and to the first 10 tax years after the property is placed in service.
2. New section one defines new rural cell phone property as "property included in 15-6-135(1)(g) that is placed in service after January 1, 2009".

3. Rural telecommunications property not already classified as class 5 property has experienced an 8.8% annualized average growth rate between TY 2005 through TY 2008.
4. Section two amends 15-6-135(1)(g), MCA to change the population criteria for towns that can be serviced by class five telecommunications companies from 1,200 permanent residents or less to 10,000 permanent residents or less.
5. There are 12 telecommunications companies (three cellular and nine land-line) that are currently classified in property class 13 (taxable rate 6%) that will be classified in property class five (taxable rate 3%) under this bill. For FY 2009, these companies have an assessed market value of $74,853,668 and will pay an estimated total of $2,413,234 in property taxes. Estimated state education 95 mill taxes are $426,666. Estimated 6 mill university SSR taxes are $26,948. Estimated county and local district taxes are $1,959,620.
6. The revenue impact of HB 115 is presented in the following table:

Fiscal Impact of HB 115	FY2009 Actual	FY 2010	FY2011	FY2012	FY2013
Class 13					
Assessed Market Value of Rural Telecommunications Property	$74,853,668	-$81,440,791	-$88,607,581	-$96,405,048	-$104,888,692
Tax rate	6%	6%	6%	6%	6%
Taxable Value	$4,491,220	-$4,886,447	-$5,316,455	-$5,784,303	-$6,293,322
Class 5					
Assessed Market Value of Exsisting Shifted Property		$81,440,791	$81,440,791	$81,440,791	$81,440,791
Tax Rate		3%	3%	3%	3%
Taxable Value		$2,443,224	$2,443,224	$2,443,224	$2,443,224
New Property - Taxable Value Before Exemption		$0	$7,166,790	$14,964,257	$23,447,901
Tax rate with Exemption		1.5%	1.5%	1.5%	1.5%
Taxable Value After Exemption		$0	$107,502	$224,464	$351,719
Total Taxable Value of HB 115 Rural Telecommunication Property		$2,443,224	$2,550,726	$2,667,688	$2,794,942
Net Change in Taxable Value & Revenue					
Taxable Value		-$2,443,224	-$2,765,729	-$3,116,615	-$3,498,379
Revenue					
General Fund		**-$232,106**	**-$262,744**	**-$296,078**	**-$332,346**
State Special Revenue		**-$14,659**	**-$16,594**	**-$18,700**	**-$20,990**
Local Districts		**-$1,066,027**	**-$1,206,743**	**-$1,359,842**	**-$1,526,413**

7. New section four provides for an effective date of July 1, 2009.
8. New section five provides for applicability to property placed in service after January 1, 2009.
9. This bill will not increase administrative costs for the Department of Revenue.

	FY 2010 Difference	FY 2011 Difference	FY 2012 Difference	FY 2013 Difference
Fiscal Impact:				
Revenues:				
General Fund (01)	($232,106)	($262,744)	($296,078)	($332,346)
State Special Revenue (02)	($14,659)	($16,594)	($18,700)	($20,990)
TOTAL Revenues	($246,765)	($279,338)	($314,778)	($353,336)
Net Impact to Fund Balance (Revenue minus Funding of Expenditures):				
General Fund (01)	($232,106)	($262,744)	($296,078)	($332,346)
State Special Revenue (02)	($14,659)	($16,594)	($18,700)	($20,990)

Effect on County or Other Local Revenues or Expenditures:

1. Starting in FY 2010, county and other local revenues will be reduced by an estimated $1 million annually. To the extent that local taxing jurisdictions can float their mills, these jurisdictions will be able to reduce or eliminate expenditure reductions by shifting costs to other classes of property.

Long-Term Impacts:

1. The reductions in state general fund revenues and state special revenue fund revenues will continue into the forseeable future.

Sponsor's Initials	*Date*	*Budget Director's Initials*	*Date*